

QUARTERLY REPORT

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended December 31, 2005

TO THE

CASINO CONTROL COMMISSION

OF THE

STATE OF NEW JERSEY

BALANCE SHEETS

AS OF DECEMBER 31, 2005

(UNAUDITED)

(\$ IN THOUSANDS)

| LINE (a) | DESCRIPTION (b) | 2005 (c) | 2004 (d) |
|-------------|---|--------------|-------------|
| | ASSETS | | |
| | Current Assets: | | |
| 1 | Cash and cash equivalents. | \$ 47,425 | \$ |
| 2 | Short-term investments. | - | |
| 3 | Receivables and patrons' checks (net of allowance for doubtful accounts - 2005, \$7,205). NOTE 2 | 170,960 | |
| 4 | Inventories. | 1,171 | |
| 5 | Prepaid expenses and other current assets. NOTE 3 | 24,994 | |
| 6 | Total current assets. | 244,550 | |
| 7 | Investments, Advances, and Receivables. NOTES 1 and 4. | 42,796 | |
| 8 | Property and Equipment - Gross. NOTES 1 and 5. | 681,420 | |
| 9 | Less: Accumulated Depreciation/Amortization. NOTES 1 and 5. | (17,557) | |
| 10 | Property and Equipment - Net. | 663,863 | |
| 11 | Other Assets. NOTE 6. | 491,181 | |
| 12 | Total Assets. | \$ 1,442,390 | \$ |
| | LIABILITIES AND EQUITY | | |
| | Current Liabilities: | | |
| 13 | Accounts payable. | \$ 7,423 | \$ |
| 14 | Notes payable. | - | |
| | Current portion of long-term debt. | | |
| 15 | Due to affiliates. | - | |
| 16 | Other. | 46 | |
| 17 | Income taxes payable and accrued. | 1,924 | |
| 18 | Other accrued expenses. NOTE 7. | 30,103 | |
| 19 | Other current liabilities. NOTE 8. | 17,463 | |
| 20 | Total current liabilities. | 56,959 | |
| | Long-Term Debt: | | |
| 21 | Due to affiliates. NOTE 9. | 584,000 | |
| 22 | Other. NOTE 9. | 1,045 | |
| 23 | Deferred Credits. NOTE 1. | 151,707 | |
| 24 | Other Liabilities. NOTE 10. | 1,601 | |
| 25 | Commitments And Contingencies. NOTE 1. | - | |
| 26 | Total Liabilities. | 795,312 | |
| 27 | Stockholders', Partners', Or Proprietor's Equity. | 647,078 | |
| 28 | Total Liabilities And Equity. | \$ 1,442,390 | \$ |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (A) | DESCRIPTION (b) | 2005 (c) | 2004 (d) |
|-------------|---|-------------|-------------|
| | REVENUE: | | |
| 1 | Casino | \$ 637,643 | \$ |
| 2 | Rooms | 51,528 | |
| 3 | Food and Beverage | 87,323 | |
| 4 | Other | 23,982 | |
| 5 | Total Revenue | 800,476 | |
| 6 | Less: Promotional allowances | 166,955 | |
| 7 | Net Revenue | 633,521 | |
| | COSTS AND EXPENSES: | | |
| 8 | Costs of Goods and Services | 383,678 | |
| 9 | Selling, General, and Administrative | 85,075 | |
| 10 | Provision for Doubtful Accounts | 769 | |
| 11 | Total costs and expenses | 469,522 | |
| 12 | Gross Operating Profit | 163,999 | |
| 13 | Depreciation and amortization NOTE 1.... | 45,652 | |
| | Charges from affiliates other than interest: | | |
| 14 | Management fees NOTE 10.... | 21,077 | |
| 15 | Other | - | |
| 16 | Income (Loss) from Operations | 97,270 | |
| | Other Income (Expenses): | | |
| 17 | Interest (expense) - affiliates NOTE 8.... | (49,640) | |
| 18 | Interest (expense) - external | (789) | |
| 19 | Investment alternative tax and related income (expense) - net | (5,041) | |
| 20 | Non-operating income (expense) - net NOTE 12.... | 11,034 | |
| 21 | Total other income (expenses) | (44,436) | |
| 22 | Income (Loss) Before Income Taxes and Extraordinary Items | 52,834 | |
| 23 | Provision (credit) for income taxes NOTE 1.... | 19,677 | |
| 24 | Income (Loss) Before Extraordinary Items | 33,157 | |
| 25 | Extraordinary items (net of income taxes) | - | |
| 26 | Net Income (Loss) | \$ 33,157 | \$ |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

STATEMENTS OF INCOME

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (A) | DESCRIPTION (b) | 2,005 (c) | 2,004 (d) |
|-------------|---|--------------|--------------|
| | REVENUE: | | |
| <u>1</u> | Casino | \$ 155,217 | \$ |
| <u>2</u> | Rooms | 11,807 | |
| <u>3</u> | Food and Beverage | 20,274 | |
| <u>4</u> | Other | 6,433 | |
| <u>5</u> | Total Revenue | 193,731 | |
| <u>6</u> | Less: Promotional allowances | 42,042 | |
| <u>7</u> | Net Revenue | 151,689 | |
| | COSTS AND EXPENSES: | | |
| <u>8</u> | Costs of Goods and Services | 94,910 | |
| <u>9</u> | Selling, General, and Administrative | 24,224 | |
| <u>10</u> | Provision for Doubtful Accounts | 27 | |
| <u>11</u> | Total costs and expenses | 119,161 | |
| <u>12</u> | Gross Operating Profit | 32,528 | |
| <u>13</u> | Depreciation and amortization NOTE 1... | 11,376 | |
| | Charges from affiliates other than interest: | | |
| <u>14</u> | Management fees NOTE 11... | 5,098 | |
| <u>15</u> | Other | — | |
| <u>16</u> | Income (Loss) from Operations | 16,054 | |
| | Other Income (Expenses): | | |
| <u>17</u> | Interest (expense) - affiliates NOTE 9.... | (12,605) | |
| <u>18</u> | Interest (expense) - external | (201) | |
| <u>19</u> | Investment alternative tax and related income (expense) - net | (1,103) | |
| <u>20</u> | Non-operating income (expense) - net NOTE 12.... | (813) | |
| <u>21</u> | Total other income (expenses) | (14,722) | |
| <u>22</u> | Income (Loss) Before Income Taxes and Extraordinary Items | 1,332 | |
| <u>23</u> | Provision (credit) for income taxes NOTE 1.... | 1,370 | |
| <u>24</u> | Income (Loss) Before Extraordinary Items | (38) | |
| <u>25</u> | Extraordinary items (net of income taxes) | — | |
| <u>26</u> | Net Income (Loss) | \$ (38) | \$ |

The accompanying notes are an integral part of the financial statements.
Valid comparisons cannot be made without using information contained in the notes.

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

STATEMENTS OF CHANGES IN STOCKHOLDER'S EQUITY

FOR THE TWELVE MONTHS DECEMBER 31, 2005

(UNAUDITED)

(\$ IN THOUSANDS)

| Line (a) | Description (b) | Common Stock | | Preferred Stock | | Additional Paid - In Capital (g) | ----- ----- ----- (h) | Retained Earnings (Accumulated Deficit) (i) | Total Stockholder's Equity (Deficit) (j) |
|-------------|-----------------------------------|---------------|---------------|-----------------|---------------|---|--------------------------------|---|--|
| | | Shares (c) | Amount (d) | Shares (e) | Amount (f) | | | | |
| 1 | Balance, December 31, 2003 | | | | | | | | |
| 2 | Net Income - 2004 | | | | | | | | |
| 3 | Contribution to Paid - In Capital | | | | | | | | |
| 4 | Dividends | | | | | | | | |
| 5 | Prior Period Adjustments | | | | | | | | |
| 6 | Distribution to PPE | | | | | | | | |
| 7 | | | | | | | | | |
| 8 | | | | | | | | | |
| 9 | | | | | | | | | |
| 10 | Balance, December 31, 2004 | 100 | 1 | | | 128,260 | | 158,499 | 286,760 |
| 11 | Net Income (Loss) - 2005 | | | | | | | 33,157 | 33,157 |
| 12 | Acquisition by HEI | | | | | 504,324 | | (177,163) | 327,161 |
| 13 | | | | | | | | | |
| 14 | | | | | | | | | |
| 15 | | | | | | | | | |
| 16 | | | | | | | | | |
| 17 | | | | | | | | | |
| 18 | | | | | | | | | |
| 19 | Balance, December 31, 2005 | 100 | \$ 1 | | | \$ 632,584 | | \$ 14,493 | \$ 647,078 |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

STATEMENTS OF CASH FLOWS

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FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | Description (b) | 2005 (c) | 2004 (d) |
|-------------|---|-------------|-------------|
| 1 | Net Cash Provided (Used) By Operating Activities | \$ 198,544 | \$ |
| | Cash Flows From Investing Activities: | | |
| 2 | Purchase of short-term investment securities | - | |
| 3 | Proceeds from the sale of short-term investment securities | - | |
| 4 | Purchase outflows for property and equipment | (31,537) | |
| 5 | Proceeds from disposition of property and equipment | 43,224 | |
| 6 | Purchase of casino reinvestment obligations | (8,156) | |
| 7 | Purchase of other investments and loans/advances made | 4,068 | |
| 8 | Proceeds from disposal of investments and collection of advances and long-term receivables | 116,020 | |
| 9 | Cash outflows to acquire business entities | - | |
| 10 | | - | |
| 11 | Net book values of disposals | - | |
| 12 | Net Cash Provided (Used) By Investing Activities | 123,619 | |
| | Cash Flows From Financing Activities: | | |
| 13 | Cash proceeds from issuance of short-term debt | - | |
| 14 | Payments to settle short-term debt | - | |
| 15 | Cash proceeds from issuance of long-term debt | - | |
| 16 | Costs of issuing debt | - | |
| 17 | Payments to settle long-term debt | (263) | |
| 18 | Cash proceeds from issuing stock or capital contributions | - | |
| 19 | Purchases of treasury stock | - | |
| 20 | Payments of dividends or capital withdrawals | - | |
| 21 | Change in payable to/receivable from affiliate | (311,545) | |
| 22 | | - | |
| 23 | Net Cash Provided (Used) By Financing Activities | (311,808) | |
| 24 | Net Increase (Decrease) In Cash And Cash Equivalents | 10,355 | |
| 25 | Cash And Cash Equivalents At Beginning Of Period | 37,070 | |
| 26 | Cash And Cash Equivalents At End Of Period | \$ 47,425 | \$ |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

| | | | |
|----|--|-----------|----|
| | Cash Paid During Period For: | | |
| 27 | Interest (net of amount capitalized) | \$ 50,429 | \$ |
| 28 | Income taxes | \$ 19,677 | \$ |

The accompanying notes are an integral part of the financial statements.

STATEMENTS OF CASH FLOWS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)
(\$ IN THOUSANDS)

| LINE (a) | Description (b) | 2005 (c) | |
|-------------|--|-------------|----|
| | Net Cash Flows From Operating Activities: | | |
| 29 | Net income (loss) | \$ 33,157 | \$ |
| | Noncash items included in income and cash items excluded from income: | | |
| 30 | Depreciation and amortization of property and equipment | 45,652 | |
| 31 | Amortization of other assets | - | |
| 32 | Amortization of Debt Discount or Premium | - | |
| 33 | Deferred Income taxes - current | (17,239) | |
| 34 | Deferred income taxes - noncurrent | 151,707 | |
| 35 | (Gain) loss on disposition of property and equipment | (377) | |
| 36 | (Gain) loss on casino reinvestment obligations | (5,680) | |
| 37 | (Gain) loss from other investment activities | (16,099) | |
| 38 | Net (increase) decrease in receivables and patrons' checks | 582 | |
| 39 | Net (increase) decrease in inventories | 1,100 | |
| 40 | Net (increase) decrease in other current assets | (830) | |
| 41 | Net (increase) decrease in other assets | 7,141 | |
| 42 | Net increase (decrease) in accounts payables | 1,594 | |
| 43 | Net increase (decrease) in other current liabilities excluding debt | (2,186) | |
| 44 | Net increase in other noncurrent liabilities excluding debt | 22 | |
| 45 | Loss on extinguishment of debt, net of income tax benefit | - | |
| 46 | Amortization of CRDA assets | - | |
| 47 | Net Cash Provided (Used) By Operating Activities | \$ 198,544 | \$ |

SUPPLEMENTAL SCHEDULE OF INVESTING AND FINANCING ACTIVITIES

| | | | |
|----|--|-----------|----|
| | Acquisition Of Property And Equipment: | | |
| 48 | Additions to property and equipment | \$ 31,537 | \$ |
| 49 | Less: Capital lease obligations incurred | - | |
| 50 | Cash Outflows For Property And Equipment | \$ 31,537 | \$ |
| | Acquisition Of Business Entities: | | |
| 51 | Property and equipment acquired | \$ - | \$ |
| 52 | Goodwill acquired | - | |
| 53 | Net assets acquired other than cash, goodwill, and property and equipment | - | |
| 54 | Long-term debt assumed | - | |
| 55 | Issuance of stock or capital invested | - | |
| 56 | Cash Outflows To Acquire Business Entities | \$ - | \$ |
| | Stock Issued Or Capital Contributions: | | |
| 57 | Total issuances of stock or capital contributions | \$ - | \$ |
| 58 | Less: Issuances to settle long-term debt | - | |
| 59 | Consideration in acquisition of business entities | - | |
| 60 | Cash Proceeds From Issuing Stock Or Capital Contributions | \$ - | \$ |

The accompanying notes are an integral part of the financial statements.

Valid comparisons cannot be made without using information contained in the notes.

SCHEDULE OF PROMOTIONAL EXPENSES AND ALLOWANCES

(\$ IN THOUSANDS)

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 511,827 | \$ 30,290 | | \$ |
| 2 | Food | 2,987,352 | 39,790 | | |
| 3 | Beverage | 8,865,768 | 17,732 | | |
| 4 | Travel | | | 60,224 | 3,935 |
| 5 | Bus Program Cash | 1,025,815 | 18,164 | | |
| 6 | Other Cash Complimentaries | 2,595,873 | 50,203 | | |
| 7 | Entertainment | 203,449 | 1,017 | 12,177 | 1,522 |
| 8 | Retail & Non-Cash Gifts | 167,267 | 8,448 | 238,460 | 11,686 |
| 9 | Parking | 1,022,626 | 1,023 | 559,497 | 1,679 |
| 10 | Other * | 9,615 | 288 | 377,945 | 3,388 |
| 11 | Total | 17,389,592 | \$ 166,955 | 1,248,303 | \$ 22,210 |

FOR THE THREE MONTHS ENDED DECEMBER 31, 2005

| Line (a) | (b) | Promotional Allowances | | Promotional Expenses | |
|-------------|----------------------------|--------------------------------|-------------------------|--------------------------------|-------------------------|
| | | Number of Recipients (c) | Dollar Amount (d) | Number of Recipients (e) | Dollar Amount (f) |
| 1 | Rooms | 103,385 | \$ 7,397 | | \$ |
| 2 | Food | 691,744 | 9,212 | | |
| 3 | Beverage | 2,109,703 | 4,220 | | |
| 4 | Travel | | | 15,427 | 1,030 |
| 5 | Bus Program Cash | 238,864 | 4,428 | | |
| 6 | Other Cash Complimentaries | 588,543 | 13,559 | | |
| 7 | Entertainment | 107,934 | 539 | 3,028 | 378 |
| 8 | Retail & Non-Cash Gifts | 42,616 | 2,193 | 26,865 | 3,172 |
| 9 | Parking | 435,732 | 436 | 219,901 | 660 |
| 10 | Other * | 1,917 | 58 | 79,458 | 735 |
| 11 | Total | 4,320,438 | \$ 42,042 | 344,679 | \$ 5,975 |

* No item in this category exceeds 5%.

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and basis of presentation

The accompanying financial statements include the accounts of Bally's Park Place, Inc., a New Jersey corporation (the "Company"), an indirect, wholly owned subsidiary of Harrah's Operating Company, Inc. ("Harrah's"). The Company owns and operates the casino hotel resort in Atlantic City, New Jersey known as "Bally's Atlantic City." The Company operates in one industry segment and all significant revenues arise from its casino and supporting hotel operations.

Prior to June 13, 2005, the company was 100% owned by Caesars Entertainment, Inc ("CEI"). On June 13, 2005, Harrah's Entertainment, Inc. ("HEI") completed the acquisition of 100 percent of the outstanding shares of CEI. Following the purchase, the Company became an indirect wholly-owned subsidiary of Harrah's.

In conjunction with the acquisition, total equity was adjusted to the purchase price assigned to the Company, retained earnings of the Company were eliminated and the assets and liabilities of the Company were adjusted to fair value with goodwill recorded for the excess of the purchase price over the fair value of the net tangible and intangible assets. Harrah's determined the estimated fair values based on independent appraisals, discounted cash flows, quoted market prices and estimates made by management. The purchase price allocation is in process and will be completed within one year of the acquisition; thus, the allocation of the price is subject to refinement. The following table summarizes the estimated fair value of the Company's assets acquired and liabilities assumed at the date of acquisition (in thousands):

| | |
|-------------------------------|---------------------|
| Current assets | \$ 50,239 |
| Land, buildings and equipment | 672,291 |
| Other assets | 50,336 |
| Due from affiliates (net) | 151,573 |
| Goodwill | 303,907 |
| Intangible assets | <u>184,000</u> |
| Total assets acquired | <u>\$ 1,412,346</u> |
| Current liabilities | \$ 57,115 |
| Deferred income taxes | 137,382 |
| Other liabilities | 25 |
| Long-term debt | <u>585,240</u> |
| Total liabilities assumed | <u>\$ 779,762</u> |

For purposes of this regulatory filing, adjustments to the historical assets of the Company were reflected on December 31, 2005 and in its statement of operations for the three months and twelve months ended December 31, 2005 and in its statement of cash flows for the twelve months ended December 31, 2005. The operations of the Company for the periods prior to January 1, 2005 and for the period from January 1, 2005 through June 13, 2005 are referred to in these financial statements as the "Predecessor Company." The operations of the Company for

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

the period from June 14, 2005 through December 31, 2005 are referred to in these financial statements as the "Company." The financial statements are required to represent a complete year of operations to satisfy regulatory requirements; however, accounting principles generally accepted in the United States require the results of the Predecessor Company's operations to be presented separately due to the different basis of accounting between the periods due to the acquisition on June 13, 2005. The Company's balance sheet, statements of income and statements of cash flow are not comparable to the Predecessor Company and are not presented here. For information on prior year, please refer to the Quarterly Report at December 31, 2004. The Company has assumed all Predecessor Companies obligations.

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the amounts of revenue and expenses reported during the period. Actual results could differ from such estimates.

Revenue recognition and promotional allowances

Casino revenues represent the net revenue from gaming wins and losses. The revenues from hotel, food & beverage and from theater ticket sales are recognized at the time the related services are performed. The Statement of Income reflects operating revenues including the retail value of complimentary services (also known as promotional allowances), which are deducted on a separate line to arrive at net revenues. Promotional allowances are provided to casino patrons without charge.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using the weighted average cost method.

Property and equipment

Depreciation is provided on the straight-line basis over the estimated economic lives of the related assets. Depreciation expense was \$11,376 for the three months ended December 31, 2005; and \$45,652 for the twelve months ended December 31, 2005.

| <u>Asset class</u> | <u>Life</u> |
|-----------------------------------|-------------|
| Buildings | 40 years |
| Building improvements | 3-10 years |
| Furniture, Fixtures and Equipment | 3-10 years |

Goodwill and Other Intangible Assets

With the adoption of Statement of Financial Accounting Standards ("SFAS") No. 142, *Goodwill and Other Intangible Assets*, the Company is required to perform at least an annual review of goodwill and non-amortizing intangibles. The purchase price allocation related to the Caesars

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

acquisition is in process; therefore, the annual assessment was not deemed necessary. With the adoption of SFAS No. 142, the Company does not amortize goodwill.

The other intangible assets include trademark totaling \$19 million and customer relationships (database) totaling \$165 million. The trademark has been determined to have a useful life of five years and the customer relationships have been determined to have a useful life of 17 years, and are being amortized using the straight-line method. Amortization expense for the period June 13, 2005 to December 31, 2005 was approximately \$7.3 million. Estimated annual amortization expense for each of the years ending December 31, 2006, 2007, 2008 and 2009 is approximately \$13.5 million and for the year ending December 31, 2010 is approximately \$11.5 million.

Connection Card Program

The Connection Card Program offers incentives to customers who gamble at Caesars casinos. Under the program, customers are able to accumulate, or bank, credits over time that they may redeem at their discretion under the terms of the program. The credit balance will be forfeited if the customer does not use the credit over the prior one-year period. The estimated incremental costs of the goods or services to be provided when the credits are redeemed, after consideration of estimated breakage, are expensed as the credits are earned. To arrive at the estimated costs associated with the credits, estimates and assumptions are made regarding incremental marginal costs of the benefits, breakage rates and the mix of goods and services for which credits will be redeemed. The Company uses historical data to assist in the determination of estimated accruals.

In December 2005, the Company changed the method of calculating its liability by applying a Harrah's company-wide method. This resulted in an increase to the liability of \$3.7 million. Of this amount, \$1.6 million was attributed to pre-acquisition balances and adjusted to purchase price. Of the remaining amount, \$1.0 million was attributed to a change in method and was charged as a non-operating expense. \$1.1 million was considered current operating expense and is included in Casino Expense.

The amount accrued for the costs of anticipated credit redemptions was approximately \$7.4 million as of December 31, 2005.

Fair value of financial instruments

The fair values of the Company's financial instruments including receivables, payables and debt approximate their recorded book values at December 31, 2005.

Investments in subsidiaries

The Company has an investment in Atlantic City Country Club reflected in the accompanying financial statements using the equity method.

The Company previously had an investment accounted for using the equity method in GNOC Corp. which owned and operated the casino hotel resort in Atlantic City, New Jersey known as the Atlantic City Hilton. On September 27, 2004, GNOC, Corp. and Bally's Olympia, LP ("BOLP") entered into a definitive agreement to sell most of the assets and certain related liabilities of GNOC Corp. as well

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
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as the assets of the Company and certain other affiliates of CEI to Resorts International Holdings, LLC ("Colony") an affiliate of Colony Capital, LLC, a Los Angeles based international private investment firm, for approximately \$612,000,000 (see Notes 3 & 4). The transaction was completed on April 25, 2005. GNOC Corp. ceased to operate the Atlantic City Hilton as of that date. The investment in GNOC was eliminated from Bally's Park Place books through Harrah's inter-company transactions utilizing the proceeds of the sale.

Allocations and transactions with related parties

The Company transfers cash in excess of its operating needs to Harrah's on a daily basis. Harrah's provides the Company with cash advances for capital expenditures and working capital needs.

Certain executive, administrative and support operations of the Company and other Harrah's affiliates are consolidated, including limousine services, advertising, sales and marketing services, purchasing and certain other administrative departments. Costs of these operations are allocated to or from the Company either directly or using various formulas based on estimates of utilization of such services. Management believes the methods used to allocate these costs are reasonable.

Harrah's allocates certain expenses to the Company, such as information technology, internal audit and risk management. These expenses are allocated using various formulas based on estimates of utilization of such expenses. Management believes that the methods used to allocate these costs are reasonable.

Accounting Pronouncements

In November 2002, the FASB issued Interpretation No ("FIN") 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others." FIN No. 45 elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of this Interpretation apply to guarantees issued or modified after December 31, 2002. Implementation of this Interpretation did not have a material impact on the Company's financial statements.

In 2003, the FASB issued FIN No. 46, "Consolidation of Variable Interest Entities." FIN No. 46 addresses consolidation of entities that are not controllable through voting interest or in which the equity investors do not bear the residual economic risks and rewards. These entities have commonly been referred to as special purpose entities. The Interpretation provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. It also provides guidance related to the interest in newly consolidated variable interest entities and requires disclosures for both the primary beneficiary of a variable interest entity and other beneficiaries of the entity. Implementation of this Interpretation did not have a material impact on the Company's financial statements, as the Company does not have any variable interest entities.

Income taxes

Taxable income or loss of the Company is included in the consolidated Federal income tax return of

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

CEI through June 13, 2005 and Harrah's thereafter. The Company provides for income taxes by applying the respective state and federal statutory rates to pre-tax financial statement income. The corresponding liability is credited to its corporate parent via other liabilities. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The income tax provision or benefit for the periods ended June 13, 2005 and December 31, 2005 are as follows:

| Income Tax Provision/(Benefit) | | <u>12/31/2005</u> |
|--------------------------------|--|-------------------|
| Federal: | | |
| Current | | 18,101 |
| Deferred | | <u>(6,517)</u> |
| | | <u>11,584</u> |
| State: | | |
| Current | | 9,182 |
| Deferred | | <u>(1,089)</u> |
| | | <u>8,093</u> |
| Total: | | |
| Current | | 27,283 |
| Deferred | | <u>(7,606)</u> |
| | | <u>19,677</u> |

Significant components of the Company's deferred tax assets and liabilities for the year ending December 31, 2005 are as follows (in thousands):

| Net Deferred Tax Liability | | <u>12/31/2005</u> |
|---|--|-------------------|
| Deferred tax assets: | | |
| Self insurance reserves | | 1,844 |
| Accrued compensation and related benefits | | 1,823 |
| Allowance for doubtful accounts | | 2,943 |
| Progressive Jackpots | | 5,040 |
| Amortization | | 7,786 |
| CRDA Investment | | 458 |
| Other | | <u>6,740</u> |
| Total deferred tax asset | | 26,634 |
| Deferred tax liability: | | |
| Depreciation and amortization | | (88,912) |
| CRDA Investment | | 0 |
| Intangibles | | <u>(72,190)</u> |
| Net deferred tax asset (liability) | | <u>(134,468)</u> |

Casino Reinvestment Development Authority

The New Jersey Casino Control Act provides, among other things, for an assessment of licensees equal to 1.25% of their gross gaming revenues in lieu of an investment alternative tax equal to 2.5% of gross gaming revenues. The Company has satisfied this investment obligation by (i) investing in qualified eligible direct investments, (ii) making qualified contributions or (iii) depositing funds with the Casino Reinvestment Development Authority (the "CRDA"). Funds deposited with the CRDA may be used to purchase bonds designated by the CRDA or, under certain circumstances, may be donated to the CRDA in exchange for credits against future CRDA investment obligations. CRDA

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

bonds have varying terms of up to fifty years and bear interest at below market rates. The Company records a charge to reflect the estimated realizable value of its CRDA investments.

An affiliate of the Company, Boardwalk Regency Corporation ("Caesars Atlantic City") has entered into an agreement with developers for the renovation of the Pier at Caesars, located on the boardwalk in Atlantic City and the construction of a new parking garage which opened July 1, 2005. The Company and Caesars Atlantic City entered into a credit agreement (the "Credit Agreement") with the CRDA to partially finance the construction of these projects. The Credit Agreement provides for funding from the CRDA for qualified development costs incurred. The CRDA funding will come from amounts either currently on deposit or to be deposited with the CRDA pursuant to the Company and its affiliates' investment obligations. As of December 31, 2005, the Company has received \$20,852 of previously deposited funds from the CRDA.

The twelve Atlantic City casino properties (the "AC Industry") and the CRDA have entered into an agreement with the New Jersey Sports & Exposition Authority (the "NJSEA") to provide funding to subsidize New Jersey's horseracing industry. In exchange for this funding, the NJSEA and the three active New Jersey racetracks will not conduct any casino gaming at the racetracks prior to January 1, 2009. As part of the agreement, the AC Industry will provide \$34 million over a four year period to the NJSEA and must deposit another \$62 million into the Casino Expansion Fund (managed by the CRDA). The \$62 million will be derived from funds either currently on deposit or to be deposited with the CRDA pursuant to each casino property's investment obligation. The Company's obligation is equal to its fair-share of AC Industry casino revenues. The Company estimates this commitment over the four year period to be a total of \$4,800,000, the first payment of which was made November 2004. The total estimated commitment will be charged to operations on a straight line basis through January 1, 2009. Once the Company meets its deposit obligation related to its fair share of the \$62 million, the Company is eligible to receive funds from the Casino Expansion Fund for qualified construction expenditures. The Company has until June 30, 2014 to submit an application to exhaust its share of the Casino Expansion Fund. Any funds not transferred out of the Casino Expansion Fund by the required date will be transferred to funds on deposit with the CRDA pursuant to its ongoing investment obligations.

NOTE 2 – RECEIVABLES AND PATRONS' CHECKS

Receivables and patrons' checks as of December 31 consist of the following:

| | <u>2005</u> |
|---|-------------------|
| Casino receivables (net of allowance for doubtful accounts – \$6,924 in 2005) | \$ 6,089 |
| Other (net of allowance for doubtful accounts – \$281 in 2005) | 4,638 |
| Due from HEI | 137,962 |
| Due from Caesars Atlantic City | 21,309 |
| Due from Affiliates | 962 |
| | <u>\$ 170,960</u> |

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

GNOC ceased operations of Atlantic City Hilton on April 25, 2005. The receivable from GNOC was eliminated through Harrah's inter-company transactions utilizing the proceeds of the sale. \$3,867 of casino receivables and allowance for doubtful accounts were assigned to the Company by GNOC, Corp.

NOTE 3- PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid Expense and Other Current Assets as of December 31 consist of the following:

| | <u>2005</u> |
|--------------------|------------------|
| Tax Deferred Asset | \$ 17,239 |
| Other | <u>7,755</u> |
| | <u>\$ 24,994</u> |

NOTE 4 - INVESTMENTS, ADVANCES AND RECEIVABLES

Investments, advances and receivables as of December 31 consist of the following:

| | <u>2005</u> |
|---|------------------|
| Investment in wholly owned subsidiaries (see Note 1): | |
| Atlantic City Country Club, Inc. | \$ 18,257 |
| Bally's Land Ventures Realty, Inc. | - |
| GNOC, Corp. | <u>-</u> |
| Total investment in subsidiaries | 18,257 |
| Casino Reinvestment Development Authority | |
| Investment obligations (less valuation reserves | |
| of \$14,362 in 2005 and \$12,723 in 2004) | 23,483 |
| Jacobs Family Terrace mortgage receivable | |
| (less reserve of \$250 in 2005 and 2004) | 795 |
| Long-term deposits | <u>261</u> |
| | <u>\$ 42,796</u> |

All the assets of Bally's Land Ventures Realty, Inc., \$14,342 were sold to Colony in April 2005. The investment in GNOC Inc., \$84,275 was eliminated from the company's books through inter-company transactions with Harrah's, utilizing proceeds of the sale as GNOC ceased to operate the Atlantic City Hilton (see Note 1).

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 5- PROPERTY AND EQUIPMENT

Property and equipment as of December 31 consist of the following:

| | <u>2005</u> |
|--|--------------------------|
| Land | \$ 74,260 |
| Buildings and improvements | 521,403 |
| Furniture, fixtures and equipment | 81,202 |
| Construction in progress | <u>4,555</u> |
| | 681,420 |
| Less accumulated depreciation and amortization | <u>(17,557)</u> |
| | <u><u>\$ 663,863</u></u> |

See Note 1 for discussion of asset revaluation.

NOTE 6- OTHER ASSETS

Other assets as of December 31 consist of the following:

| | <u>2005</u> |
|--|--------------------------|
| Cost in excess of acquired assets | \$ 303,907 |
| Trademark, less accumulated amortization of \$1,970 | 17,030 |
| Intangible asset, less accumulated amortization of \$5,311 | 159,689 |
| Long Term CRDA | 9,026 |
| Other | <u>1,529</u> |
| | <u><u>\$ 491,181</u></u> |

See Note 1 for discussion of Goodwill and other intangible assets.

NOTE 7- OTHER ACCRUED EXPENSES

Other accrued expenses as of December 31 consist of the following:

| | <u>2005</u> |
|------------------------------|-------------------------|
| Accrued payroll and benefits | \$ 17,341 |
| Insurance claims | - |
| Other | <u>12,762</u> |
| | <u><u>\$ 30,103</u></u> |

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

Liabilities for insurance claims and workers' compensation have been recorded by Harrah's as a result in a change in accounting policy. The Company receives a monthly allocation from Harrah's, based on estimates of utilization of such expenses. The change in accounting policy has no impact on the Company's net income.

NOTE 8- OTHER CURRENT LIABILITIES

Other current liabilities as of December 31 consist of the following:

| | <u>2005</u> |
|---|------------------|
| Chip and token liability | \$ 2,092 |
| Total Rewards / Connection Card liability | 6,960 |
| Due to affiliates | 3,919 |
| Other | <u>4,492</u> |
| | <u>\$ 17,463</u> |

See Note 1 for discussion of connection card liability.

NOTE 9- LONG-TERM DEBT-DUE TO AFFILIATES AND OTHER

Long-term debt-due to affiliates and other as of December 31 consist of the following:

| | <u>2005</u> |
|---|------------------|
| Long-term debt due to affiliates: | |
| 8.5% Note payable to Caesars Entertainment Finance Corporation ("CEFC") due January 1, 2009 | \$500,000 |
| 8.5% Note payable to CEFC due May 31, 2011 | 33,500 |
| 8.5% Note payable to CEFC due May 31, 2011 | 50,000 |
| 8.5% Note payable to CEFC due April 30, 2013 | <u>500</u> |
| | <u>\$584,000</u> |
| Long-term debt-other: | |
| Other secured and unsecured debt | <u>\$ 1,045</u> |

In January 1999, the Company executed a \$500,000 note payable to CEI with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. On July 1, 2000, CEI assigned the \$500,000 note to Park Place Finance Corporation. On March 9, 2004, Park Place Finance Corporation changed its name to Caesars Entertainment Finance Corporation. On June 1, 2001 the Company executed two notes payable in the amounts of \$33,500 and a \$50,000 to CEFC each with interest at a rate of 8.5% per annum, payable on the last business day of each quarter. In April 2004, the Company executed a \$500 note payable to CEFC with interest at a rate of 8.5% per annum, payable on the last business day of each month (see note 1).

BALLY'S PARK PLACE, INC. (Bally's Atlantic City)
NOTES TO FINANCIAL STATEMENTS
(Unaudited)
(All dollar amounts in thousands)

NOTE 10- OTHER LIABILITIES

Other liabilities as of December 31 consist of the following:

| | <u>2005</u> |
|---|-----------------|
| Retirement and other employee benefit plans | \$ 1,576 |
| Other | <u>25</u> |
| | <u>\$ 1,601</u> |

NOTE 11 – CHARGES FROM AFFILIATES-MANAGEMENT FEE

The Company and CEI have entered into an administrative services and management agreement. Under the agreement, CEI provides certain services to the Company in the conduct of its business including, but not limited to operations, marketing, banking, accounting, insurance, tax, regulatory and public company reporting, human resource and benefit administration and other administrative functions. In consideration for these services, the Company pays CEI a monthly management fee equal to three percent of revenues, as defined.

NOTE 12 - NONOPERATING INCOME (EXPENSE) - NET

Nonoperating income (expense) for the three months ended December 31 consists of the following:

| | <u>2005</u> |
|---|-----------------|
| Interest income | \$ 298 |
| Gain (loss) on sale of assets | 5 |
| Equity in income of unconsolidated subsidiaries | (122) |
| Connection card Accounting (see note 1) | (994) |
| Other | <u>-</u> |
| | <u>\$ (813)</u> |

Nonoperating income (expense) for the twelve months ended December 31 consists of the following:

| | <u>2005</u> |
|---|------------------|
| Interest income | \$ 1,051 |
| Gain (loss) on sale of assets | 377 |
| Equity in income of unconsolidated subsidiaries | 10,295 |
| Connection Card Accounting (see note 1) | (994) |
| Other | <u>305</u> |
| | <u>\$ 11,034</u> |

STATEMENT OF CONFORMITY, ACCURACY AND COMPLIANCE

1. I have examined this Quarterly Report.
2. All the information contained in this Quarterly Report has been prepared in conformity with the Casino Control Commission's Quarterly Report Instructions and Uniform Chart of Accounts.
3. To the best of my knowledge and belief, the information contained in this report is accurate.
4. To the best of my knowledge and belief, except for the deficiencies noted below, the licensee submitting this Quarterly Report has remained in compliance with the financial stability regulations contained in N.J.A.C. 19:43-4.2(b)1-5 during the quarter.


Signature

Controller
Title

#7091-11
License Number

On Behalf Of:
Bally's Park Place, Inc. NJ
Casino Licensee

SCHEDULE OF RECEIVABLES AND PATRON'S CHECKS

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended December 31, 2005

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

SCHEDULE OF RECEIVABLES AND PATRONS' CHECKS

FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2005

(UNAUDITED)
(\$ IN THOUSANDS)

ACCOUNTS RECEIVABLE BALANCES

| LINE (a) | DESCRIPTION (b) | ACCOUNT BALANCE (c) | ALLOWANCE (d) | ACCOUNTS RECEIVABLE- (e) NET OF ALLOWANCE |
|-------------|---|------------------------|------------------|--|
| | Patrons' Checks: | | | |
| 1 | Undeposited patrons' checks | \$ 5,272 | | |
| 2 | Returned patrons' checks | 7,741 | | |
| 3 | Total patrons' checks | 13,013 | \$ (6,924) | \$ 6,089 |
| 4 | Hotel Receivables | 2,248 | (281) | 1,967 |
| | Other Receivables: | | | |
| 5 | Receivables due from officers and employees | --- | | |
| 6 | Receivables due from affiliates | 160,233 | | |
| 7 | Other accounts and notes receivables | 2,671 | | |
| 8 | Total other receivables | 162,904 | --- | 162,904 |
| 9 | Totals (Form CCC 205) | \$ 178,165 | \$ (7,205) | \$ 170,960 |

UNDEPOSITED PATRONS' CHECKS ACTIVITY

| LINE (f) | DESCRIPTION (g) | AMOUNT (h) |
|-------------|--|---------------|
| 10 | Beginning Balance (January 1) | \$ 5,349 |
| 11 | Counter checks issued (excluding counter checks issued through transactions relating to consolidations, partial redemptions, substitutions, and patrons' cash deposits) | 135,051 |
| 12 | Checks redeemed prior to deposit (excluding the unredeemed portion of counter checks redeemed through partial redemptions, and excluding checks redeemed through transactions relating to consolidations, substitutions, and patrons' cash deposits) | (101,113) |
| 13 | Checks collected through deposits | (29,693) |
| 14 | Checks transferred to returned checks | (4,322) |
| 15 | Other adjustments | |
| 16 | Ending Balance | \$ 5,272 |
| 17 | "Hold" Checks Included in Balance On Line 16 | \$ 0 |
| 18 | Provision For Uncollectible Patrons' Checks | \$ 769 |
| 19 | Provision As A Percent Of Counter Checks Issued | 0.57% |

Under penalties of perjury, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.

March 31, 2006

Date



Signature

Controller

Title of Officer

ANNUAL EMPLOYMENT AND PAYROLL REPORT

TRADING NAME OF LICENSEE: Bally's Park Place, Inc. (Bally's Atlantic City)

For The Quarter Ended December 31, 2005

TO THE
CASINO CONTROL COMMISSION
OF THE
STATE OF NEW JERSEY

ANNUAL EMPLOYMENT AND PAYROLL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2005

(\$ in Thousands)

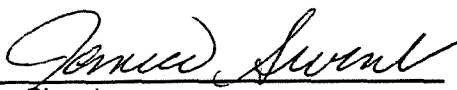
| LINE (a) | DEPARTMENT (b) | NUMBER OF (c) EMPLOYEES | SALARIES AND WAGES | | |
|-------------|--|----------------------------|---------------------|-----------------------|------------|
| | | | (d) OTHER EMPLOYEES | (e) OFFICERS & OWNERS | (f) TOTALS |
| | CASINO | | | | |
| 1 | Administration | | | | |
| 2 | Gaming | 1,639 | | | |
| 3 | Slots | 262 | | | |
| 4 | Casino accounting | 423 | | | |
| 5 | Simulcasting | 22 | | | |
| 6 | Other | | | | |
| 7 | Total-casino | 2,346 | \$ 61,402 | \$ 349 | \$ 61,751 |
| 8 | ROOMS | 513 | 12,236 | 77 | 12,313 |
| 9 | FOOD AND BEVERAGE | 1,553 | 32,335 | 67 | 32,402 |
| | OTHER OPERATED DEPARTMENTS | | | | |
| 10 | Spa | 39 | 709 | | 709 |
| 11 | Hat check and pool | 12 | 179 | | 179 |
| 12 | Telephone room | 30 | 735 | | 735 |
| 13 | Retail stores | 53 | 1,241 | | 1,241 |
| 14 | | | | | |
| 15 | | | | | |
| 16 | | | | | |
| 17 | | | | | |
| 18 | | | | | |
| 19 | | | | | |
| | ADMINISTRATIVE AND GENERAL | | | | |
| 20 | Executive office | 18 | 2,837 | 1,384 | 4,221 |
| 21 | Accounting and auditing | 117 | 4,790 | | 4,790 |
| 22 | Security | 393 | 12,039 | 45 | 12,084 |
| 23 | Other administrative and general departments | 205 | 6,657 | 499 | 7,156 |
| 24 | MARKETING | 223 | 10,332 | 165 | 10,497 |
| 25 | GUEST ENTERTAINMENT | 22 | 1,821 | | 1,821 |
| 26 | PROPERTY OPERATION AND MAINTENANCE | 603 | 18,927 | 87 | 19,014 |
| 27 | TOTALS - ALL DEPARTMENTS | 6,127 | \$ 166,240 | \$ 2,673 | 168,913 |

TRADING NAME OF LICENSEE: BALLY'S PARK PLACE, INC. (Bally's Atlantic City)

**ANNUAL EMPLOYMENT AND PAYROLL REPORT
SIGNATURE PAGE**

FOR THE YEAR ENDED DECEMBER 31, 2005

Under penalties provided by law, I declare that I have examined this report, and to the best of my knowledge and belief, it is true and complete.



Signature

March 31, 2006
Date

Controller
Title

3/23/06

TRADING NAME OF LICENSEE : BALLY'S ATLANTIC CITY

GROSS REVENUE ANNUAL TAX RETURN

FOR THE YEAR ENDED DECEMBER 31, 2005

Line

| | | |
|---|--|----------------|
| CASINO WIN: | | |
| 1. | Table and Other Games Win..... | \$ 167,660,009 |
| 2. | Slot Machines Win..... | 477,973,519 |
| 3. | Total Win..... | 645,633,528 |
| 4. | Recovery for Uncollectible Patrons' Checks..... | 0 |
| 5. | Gross Revenue (line 3 plus line 4)..... | 645,633,528 |
| 6. | Tax on Gross Revenue - Reporting Year (8% of line 5)..... | 51,650,682 |
| 7. | Audit or Other Adjustments to Tax on Gross Revenues in Prior Years | - |
| 8. | Total Taxes on Gross Revenue (the sum of lines 6 and 7)..... | 51,650,682 |
| 9. | Total (Deposits) Made for Tax on Reporting Year's Gross Revenue..... | 51,650,682 |
| Settlement of Prior Years' Tax on Gross Revenue | | |
| 10. | Resulting from Audit or Other Adjustments - (Deposits) Credits | - |
| 11. | Gross Revenue Taxes Payable (the net of lines 8, 9 and 10) | \$ 0 |

Under penalties of perjury, I declare that I have examined this Gross Revenue Annual Tax Return and to the best of my knowledge and belief, the information contained in this return is accurate.

March 14, 2006
Date

Will R...
Signature

Operations Controller
Title of Officer